

TOP SECRET

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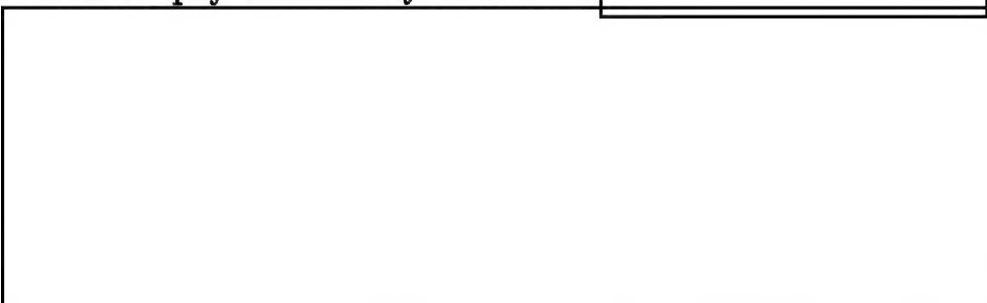
I. THE COMMUNIST BLOC

Nasir's Visit to USSR

Nasir's 18-day visit to the USSR, studded with affirmations of Soviet-UAR friendship and "solidarity" on major international issues, may have been something less than an unqualified success despite Khrushchev's claim that complete agreement existed on all questions touching upon "mutual interests." The red-carpet treatment given Nasir and the spate of friendship speeches reinforced the public impression of firm Soviet endorsement of Nasir's bid for leadership of the Arab world. Information so far, however, suggests that Nasir remains suspicious of the USSR, as he is of the West. He probably does not take Soviet promises of general support seriously, although he uses reports of them to try to alarm the West.

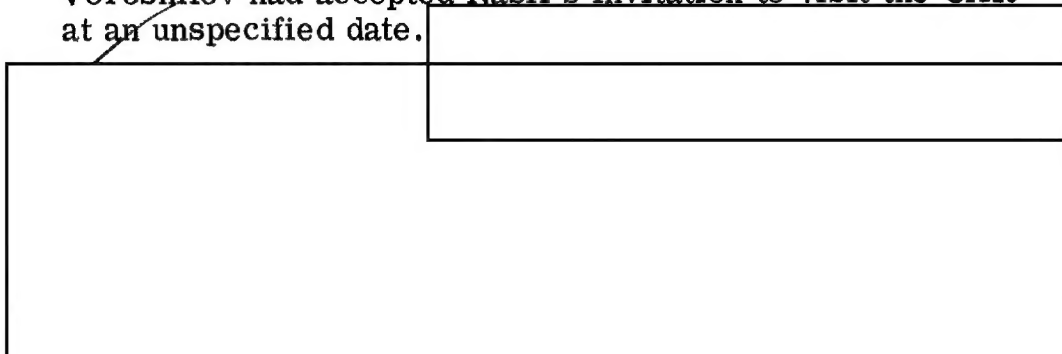
Nasir was partially successful in his efforts to reduce the UAR's debt burden. Moscow agreed to a 15-percent cut in the cost of economic assistance to be rendered both regions of the UAR, and to a substantial reduction in installment payments on Syrian arms.

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The joint communiqué issued at the conclusion of the visit reaffirmed the identity of Soviet-UAR views on a wide range of subjects and stated that Khrushchev and Voroshilov had accepted Nasir's invitation to visit the UAR at an unspecified date.

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The Situation in Tunisia

The Tunisian secretaries of defense and foreign affairs pressed Ambassador Jones on 19 May for an early favorable response to President Bourguiba's 16 May request for "defensive" arms. They specified that Tunisia's most urgent need was for ammunition, and added that Tunisia feared not only French military operations, but also possible subversive activities on the part of the Algerian National Liberation Front (FLN) whose forces in Tunisia, they claim, are "four times larger and infinitely better armed" than Tunisian forces.

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Meanwhile, the possibility of clashes between French and Tunisian military units has increased. Tunisian authorities are demanding that French troops, which early on 18 May surrounded a Tunisian roadblock 25 miles north of their base at Remada in remote southern Tunisia, return to their base. Press sources on 21 May claim that a Tunisian Army unit assisted by armed civilian auxiliaries had dug in on a hastily drawn battle line near the Remada base, and the Tunisian press demands the immediate departure of the French commandant at Remada "if not energetic sanctions." Tunisian authorities also claim that French positions are being reinforced by helicopter, and Bourguiba publicly warned that an "explosive situation" had been created by the arrival of four French jet aircraft on 20 May at Gafsa in south central Tunisia. The Tunisian foreign secretary also warned the French chargé on 18 May that if the Remada forces were not regulated, the provisioning of French troops might cease.

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Moslem Attitude in Algeria

The continuing demonstrations of support for the "new Algeria" by considerable numbers of Algerian Moslems appear to be largely artificial, staged by psychological warfare units of the French army and in some cases by local employers. In any event, they are in no way indicative of any weakening in the Algerian National Liberation Front's (FLN) determination to continue its fight for an independent, Moslem-controlled Algeria.

[redacted] some 10,000 Moslems who participated in a demonstration on 19 May as "simple peasant types herded about like sheep" by army personnel with portable electric megaphones. The consul general reported that over-organization was obvious. [redacted]

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[redacted] an earlier much-publicized demonstration in the Moslem quarter of Algiers resulted from not-so-subtle prodding on the part of the military, and did not reflect any new or general "rallying" to the French by Moslems.

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[redacted] many Moslems are deliberately trying to create such an illusion in the hope of avoiding reprisals if, as they fear, the European extremists now in control should follow their current gestures of friendliness toward the Moslems--which have contributed to a noticeable relaxation of interracial tension--with a new and more vigorous "get tough" policy.

An FLN spokesman broadcasting over Cairo radio has excoriated the "Massu-Soustelle criminal gang" and a top FLN military leader stated in Tunis on 18 May that the rebels have no intention of putting down their arms until the French agree to the principle of independence. Recent claims by French military leaders in Algiers that the Moslem rebels have virtually ceased fighting were apparently made with little regard for reality in order to satisfy the current propaganda line. They have been officially contradicted by the Ministry of Information in Paris, which published statistics on 19 May indicating that rebel activity had continued at a high level since the 13 May coup. [redacted]

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III. THE WEST

French Crisis

Rightist elements are intensifying their activities in an effort to convince the Pflimlin government that the only way to avoid bloodshed and possibly civil war is to resign and make way for De Gaulle. In an apparently concerted series of reports, rightist military and political leaders are spreading the warning that unless Pflimlin resigns there will be direct action by the army from within France or from Algiers. [REDACTED]

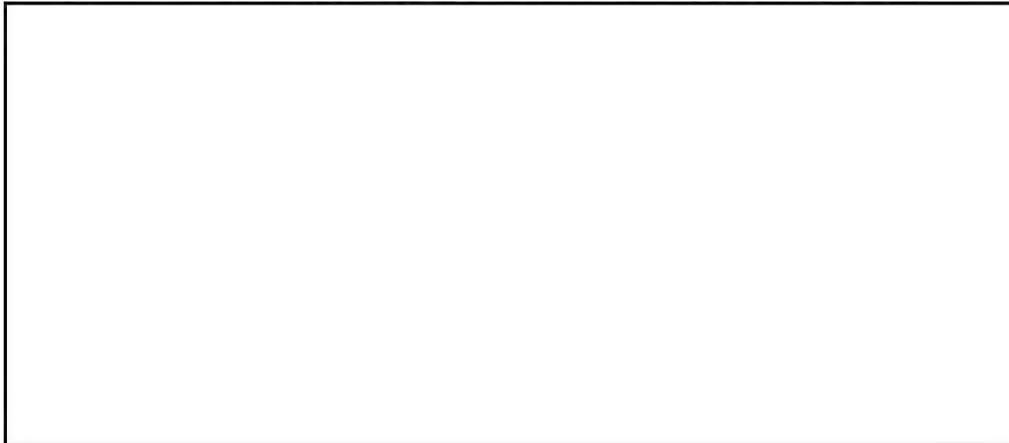
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Posters appeared in Paris on 20 May announcing the formation of a "National Committee of Public Safety." A communiqué signed by retired Army General Cherrieres, a former commander of the Algiers military region, and Air Force General Chassin, reported in the press as leading an underground movement, stated that the committee is led by a "very high military person" with five civilian and three other military members. Further pressure came in the form of an offer to the government by Antoine Pinay, leader of the right wing of the Independent party, to act as a go-between to negotiate De Gaulle's acceptance of the premiership. This announcement underscores Pinay's persistent refusal to join the Pflimlin government and ends any hope that the government might receive help from this quarter.

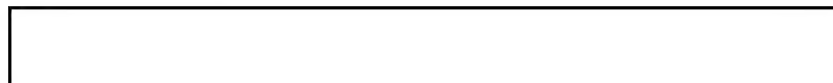
The government, professing its determination to remain in office, announced on 21 May that the new French chief of staff, General Lorillot, will go to Algiers in an attempt to re-establish Paris' control. Pflimlin is probably not too hopeful this can be done, and Lorillot's mission may be primarily fact-finding, since the government admittedly has practically no firm information on developments in Algiers.

On 20 May the American consul general in Algiers expressed the view that local influences were increasingly weakening whatever ties General Salan still maintained

with the French Government. This view seems borne out by Salan's remark to a cheering crowd on 21 May that "we shall march together up the Champs-Elysees."



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Iceland Negotiates \$3,000,000 Loan From the USSR

The Icelandic ambassador to Moscow has negotiated a 50,000,000-krona (approximately \$3,000,000), 20-year, 2.5-percent loan with the USSR to pay for fishing vessels under construction in East Germany for Iceland. If finally accepted, this would be the first Soviet loan to Iceland.

Iceland gave assurances last November in accepting a \$5,000,000 American loan under NATO auspices that it would not accept any Soviet loans and would adopt economic reforms necessary to bring its distorted economy into balance. The Icelanders may argue that since the contracts for the vessels were concluded last July, the assurances do not apply.

The Icelandic Government is also under strong pressure from the local Communists to accept further Soviet economic assistance. In June 1957 the USSR offered to make aid available up to approximately \$25,000,000, in addition to financing the construction of the fishing vessels in question.

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